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THE KSA PERSPECTIVE

For Textile Management

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KSA's 1983 Financial Performance Profile of Public Textile Companies

Results for 46 firms show recovery from recession, but continued flat performance over long term; home products sector a stand-out

The textile industry rebounded nicely from its recessionary dip in 1982, but last year's results could not come up to the levels of several previous years. The industry sector most vulnerable to the recent surge of imported apparel — fabric manufacturing — was chiefly responsible for the overall mediocre performance.

Composite sales for all 46 public textile companies profiled this year rose 6.8% to $14.9 billion. However net income slithered sideways. Ignoring extraordinary income, which contributed $139 million to the industry's bottom line in 1982, after-tax profits actually rose 57% — but only reached 2.5% of sales. Operating earnings were up 35%. Nevertheless, the industry could only manage a composite 7.3% return on total equity, which was the second lowest in five years.

One of eight companies in this year's Profile lost money, as opposed to one in four in fiscal 1982. Two of the losers — *Cone* and *UM&M* — had miscellaneous expense items that turned their positive operating earnings into bottom-line losses. On an operating basis, only one in twelve companies lost money in 1983.

Imports & Inventories Both Up

Certainly the improved U.S. economy in 1983, with gains in employment and consumer purchases, had an early and favorable impact upon the textile industry. Unfortunately, however, the extra helpings provided by the recovery did not all make it down to the end of the table where textile companies sat. Imports intervened and took some huge portions away from suppliers to the apparel industry. The latter's 1983 performance was far healthier than textiles.

After the last recession, in 1974–5, the textile industry's rebound was considerably stronger than this year. These companies have learned to do a better job of controlling inventories, receivables and working capital — making improvements a little tougher to come by in 1983. Average inventory turns rose only slightly last year — 5.8 versus 5.5 times.

Meanwhile, finished goods inventories increased 16.4% against the 6.8% sales gain, and ended 1983 at their highest level relative to sales in five years. If this is more than a temporary build-up, caution flags are in order.

Controls over operations have improved markedly in textiles. Operating earnings for the entire group recovered almost all of the decline suffered in 1982. Cost of goods sold edged down, and gross profits of 15.5% were the highest since 1979. Sales, general and administrative expenses were down as a percentage of net sales, as was capital investment.

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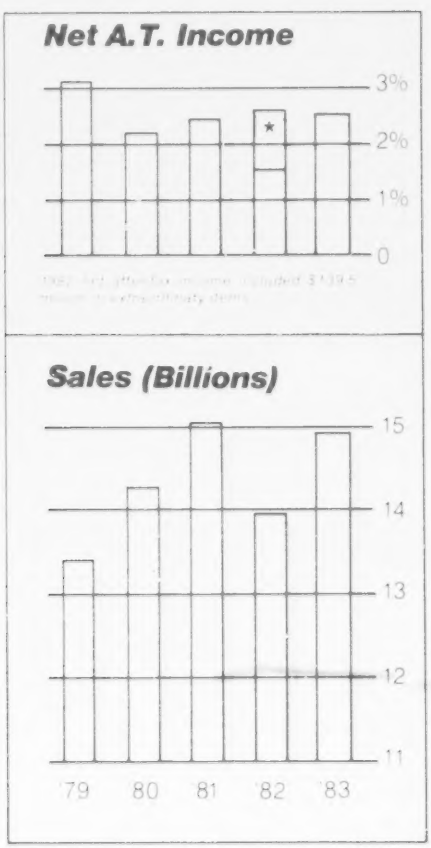

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Industry Segment Results and Top Performers

Industry Segments and Top Performers*	No. of Firms Reported	Sales ($000)	Net Income ($000)	Net A.T. Income on Sales %	Return on Total Equity %	Total Debt to Assets	Return on Total Assets %	Sales to Total Assets	Gross Profit %	Oper. Earn. %	Inv. Turns	Return on Invested Capital %
Home Consumer Products (H)												
1983	11	2,117,862	63,091	2.98	11.80	57	5.68	1.90	19.84	6.41	4.63	8.78
1982	11	1,778,385	33,765	1.90	7.87	54	3.68	1.96	19.02	5.27	5.24	5.18
Fabrics (F)												
1983	13	2,740,210	17,435	.64	1.66	45	.91	1.44	14.89	3.75	5.41	1.40
1982	13	2,698,887	110,709	4.10•	10.61	42	6.05	1.47	13.73	2.24	5.11	8.06
Spun/Textured Yarn (Y)												
1983	7	1,330,300	40,186	3.02	9.91	42	5.72	1.90	11.77	6.17	4.91	7.35
1982	7	1,176,441	32,083	2.73	8.72	39	5.25	1.92	12.01	5.13	4.65	6.84
Diversified (D)												
1983	6	8,285,072	242,054	2.92	8.09	44	4.46	1.42	14.84	6.61	5.78	6.92
1982	6	7,881,377	195,181	2.48	7.01	44	3.89	1.67	14.16	4.63	5.61	5.90
Other Textile Prod. (O)												
1983	9	404,241	8,628	2.13	6.52	43	3.67	1.72	27.14	5.40	3.61	5.04
1982	9	396,526	3,201	.81	2.54	43	1.44	1.78	25.63	4.28	3.86	1.97
Industry Total												
1983	46	14,877,705	371,394	2.50	7.26	45	3.96	1.58	15.53	5.40	5.80	5.14
1982	46	13,931,616	374,939	2.69	7.89	44	4.35	1.61	14.85	4.27	5.52	5.74

• — *1.07 before extraordinary items.*

* *Industry segment top performers based on return on total equity ranking in segment. Rankings for 1982 have been recalculated to reflect new profile mix.*

While the textile industry is beginning to place greater emphasis upon controlling all its costs, nothing much will happen to benefit the bottom line until it is also able to get better prices for its products — and competition among its own members as well as from overseas seem to make that possibility remote.

Sector Results: Fabrics

The textile industry's problems in this respect are most evident in the fabric manufacturing sector. The thirteen weavers and knitters in this group again performed below the industry at large. Sales were up only 1.5% (while producer price indices for greige fabrics were up 1%). Even with a $41 million turnaround in pre-tax profit, net income after taxes came to only 0.6% of sales for fabric producers. Return on total assets for the group dropped to an abysmal 0.9% and other return ratios weren't much better.

The stronger performers — *Texfi, Guilford, Fab* — could not make up for some huge write-offs elsewhere in the sector, or for the depredations of imports

Yarn

In the yarn group, results were better. Sales were up 13% and operating earnings gained 38% over 1982, allowing a 42% rise in pre-tax income. Both *China Grove* and *Avondale* turned in 11% return on equity figures, closely followed by *Carolina Mills*. *Ti-Caro* registered a leading 4.4% net return on sales.

Diversified

With the reclassification of *Bibb* and *Texfi*, and the exclusion of *Dominion Tex-*

cont'd on p. 7

Sales and Earnings

Sales Rank		Sales ($000)	Net Income ($000)	N.I. Rank
82	Company			
	[illegible]	[illegible]	[illegible]	[illegible]
44	[illegible]	152,276	2,028	44
29	[illegible]	122,869	519	29
18	[illegible]	120,640	7,367	18
22	[illegible]	113,620	5,118	22
24	[illegible]	112,704	4,536	24
1	[illegible]	110,147	9,479	1
14	[illegible]	99,943	6,120	14
45	[illegible]	94,737	760	45
40	[illegible]	84,123	1,360	40
56	[illegible]	80,660	6,079	56
43	[illegible]	64,857	1,117	43
27	[illegible]	62,808	1,458	27
26	[illegible]	60,648	1,706	26
19	[illegible]	56,884	2,137	19
42	[illegible]	49,800	923	42
33	[illegible]	45,403	797	33
36	[illegible]	41,215	706	36
31	[illegible]	37,801	1,196	31
35	[illegible]	18,601	334	35
41	[illegible]	15,456	794	41
38	[illegible]	14,441	640	38
34	[illegible]	12,861	27	34
37	[illegible]	12,609	352	37
39	[illegible]	9,870	14	39
	Sales Total	$15,270,039		

[illegible] (ranked) does not appear elsewhere in Profile
[illegible] pending earnings
[illegible] unavailable

Classifications

This year's Textile Profile again uses less rigorous definitions for grouping similar companies into product/market segments for comparisons. Starting with the general paramaters developed for previous Profiles, we have combined some classifications in order to present fewer but broader segments. Marketing and end-use considerations now carry more weight, mirroring what has been happening in textiles generally. Those arbitrary judgments that are always necessary have been made with greater flexibility.

The segment classifications are as follows:

Y — Yarn manufacturers (spun and texturized)

F — Fabric manufacturers (knitted and woven)

H — Home textiles (finished consumer products such as carpets, rugs, sheets, towels, etc.)

D — Diversified textile companies

O — Other (converters and printers, non-wovens, miscellaneous textiles)

M — Multi-industry/conglomerates

Companies have been classified in the Y, F, or H segments if textiles account for approximately three-quarters of their sales volume, their primary product/market classification represents half of their textile volume, and it significantly exceeds any other single textile activity.

Corporations with no single classification predominant in their product/market mix have been placed in the Diversified (D) category.

Firms whose products or services do not fit into the first four segments noted above have been classified as Other (O). Since most of their sales volume comes from textiles, even though not in the major classifications, all the financial data of these companies have been included in the Profile.

Mohasco and *Ruddick* have been classified as Multi-industry/Conglomerates (M) because less than half of their sales comes from textiles, and that portion of their financial data could not be isolated for analysis.

Fiber manufacturers were omitted from the Profile as their financial structures and performance are more closely related to the chemical industry than to the textile industry.

Textile Performance Profile — Fiscal 1983

(Excludes Conglomerates)

83 Sales Rank	Company	Net A.T. Inc. on Sales %	83	82	Return on Total Equity %	83	82	Total Debt To Assets	83	82	Return on Total Assets %	83	82	Sales To Total Assets	83	82	Gross Profit %	83	82	Operating Earnings %	83	82	Inventory Turns	83	82	Return on Invested Capital %	83	82
12	Avondale Mills 08/83-Y	3.47	14	35	11.30	17	35	.40	32	39	6.67	12	35	1.92	16	15	15.09	28	27	7.05	15	35	14.73	4	3	9.07	13	35
27	Belding-Heminway 12/83-O	4.50	6	17	11.94	12	22	.36	37	42	7.55	7	18	1.67	26	20	38.56	3	4	7.84	11	25	3.34	41	43	10.10	8	20
18	Bibb Company 03/83-H	1.60	27	14	4.97	30	17	.46	25	18	2.66	29	16	1.66	27	22	10.45	38	31	2.38	37	13	3.81	39	37	3.88	29	15
1	Burlington 10/83-D	2.95	19	23	7.38	25	25	.45	26	28	4.03	24	26	1.36	43	43	13.20	32	36	5.95	23	28	6.33	15	18	5.18	25	26
22	Carolina Mills 10/83-Y	3.12	18	11	11.20	18	14	.49	18	25	5.62	20	11	1.79	18	18	6.52	44	43	6.52	17	20	7.79	10	9	7.28	21	14
28	Chatham 12/83-F	4.04	10	22	8.87	21	30	.21	46	45	6.93	10	24	1.71	22	35	18.99	18	28	8.17	8	24	4.05	37	39	7.94	20	27
34	China Grove 12/83-Y	3.21	17	16	11.34	16	19	.42	28	31	6.47	14	19	2.01	14	27	9.84	39	37	5.81	24	16	4.24	36	40	9.20	12	19
6	Collins & Aikman 03/83-D	3.38	15	13	11.47	14	16	.47	23	27	5.97	18	12	1.76	20	12	19.27	17	17	6.29	18	14	5.23	29	26	8.43	16	13
	Collins & Aikman 03/84-D	5.16			19.96			.49			10.09			1.96			21.13			9.88			5.80			15.01		
26	Columbus Mills 12/83-H	6.10	3	8	22.07	1	6	.41	30	33	12.95	1	6	2.12	9	17	22.03	10	11	10.57	3	9	5.86	21	17	19.40	1	6
31	Concord Fabrics 08/83-O	1.63	26	29	6.76	26	27	.42	28	25	3.89	25	27	2.37	4	8	20.10	14	12	4.00	30	23	5.04	31	31	5.50	24	25
5	Cone Mills 12/83-F	−1.27	40	21	−2.74	40	28	.35	39	46	−1.77	40	22	1.39	39	39	16.13	26	25	4.38	27	29	4.99	33	34	−2.70	40	24
30	Crompton 09/83-F	−8.50	43	45	−20.11	43	43	.60	6	16	−8.03	43	45	.94	46	44	−3.90	46	40	−12.98	46	40	5.84	22	15	−10.11	43	44
37	CrownAmerica 08/83-Y	1.08	30	41	4.41	31	39	.52	15	21	2.11	31	40	1.95	15	45	7.83	41	46	2.22	38	46	16.11	3	4	3.04	32	39
41	Crown Crafts 03/83-H	−1.81	41	32	−4.91	41	33	.48	19	28	−2.53	41	34	1.39	39	19	14.70	29	24	−1.11	45	32	2.71	44	41	−3.38	41	34
43	Dash Ind. 11/83-O	4.43	+	39	14.10	+	38	.52	15	17	6.68	+	38	1.50	36	36	45.47	1	3	7.16	14	39	1.58	46	46	8.83	+	38
14	Dixie Yarns 12/83-Y	1.59	28	28	8.63	23	23	.48	19	30	4.47	22	23	2.80	2	4	6.76	43	45	3.17	31	31	11.85	7	7	5.57	23	23
29	Fab Industries 07/83-F	8.20	1	2	13.86	9	7	.36	37	37	8.81	4	5	1.07	45	46	16.71	23	16	7.89	10	5	4.34	35	33	13.46	4	4
8	Fieldcrest 12/83-H	2.73	22	20	8.60	24	20	.47	23	21	4.51	21	20	1.64	29	33	21.30	11	9	5.99	22	17	6.46	14	23	6.18	22	21
19	Galaxy Mills 09/83-H	3.88	11	15	18.06	5	10	.60	6	8	7.18	9	14	1.84	17	13	24.51	5	6	8.47	6	7	5.02	32	28	11.19	7	15
45	Gaynor-Stafford 06/83-O	2.79	21	36	9.76	20	37	.56	12	4	4.20	23	36	1.50	36	41	23.45	7	5	4.12	28	45	2.90	43	44	8.08	18	37
15	Graniteville 12/83-F	−.96	39	43	−2.55	39	41	.48	19	24	−1.32	39	43	1.37	41	32	12.72	33	42	−.08	43	44	8.05	9	13	−2.49	39	43

16	Guilford Mills 06/83-F	5.97	4	4	14.35	8	4	.35	39	33	9.29	3	4	1.55	31	30	20.76	12	10	10.59	2	3	5.67	24	16	12.77	5	5
23	Horizon Ind. 09/83-H	3.84	12	24	20.70	2	3	.62	5	2	7.78	6	17	2.02	13	6	23.08	8	7	8.54	5	15	6.15	17	5	13.77	3	7
44	Int'l. Stretch Prod. 08/83-F	.20	36	26	1.96	34	9	.74	2	3	.50	36	25	2.42	3	7	19.40	16	13	1.90	39	19	4.03	38	35	.94	25	18
32	Interface 12/83-H	7.58	2	1	18.91	3	1	.38	35	14	11.54	2	1	1.52	35	14	38.16	4	2	14.35	1	1	5.91	20	8	15.84	2	1
35	Louisville Bedding 09/83-H	2.91	20	18	18.55	4	8	.64	4	8	6.60	13	13	2.26	6	9	22.11	9	8	6.98	16	12	5.25	28	22	10.05	9	10
7	M. Lowenstein 12/83-D	3.79	13	12	11.91	13	18	.48	19	20	6.10	17	15	1.60	30	30	17.48	20	19	6.28	19	18	4.36	34	36	8.88	15	17
38	Marion Mfg. 12/83-F	1.66	25	27	5.92	27	29	.40	32	33	3.50	26	28	2.10	10	16	6.30	45	44	.60	42	36	13.05	6	6	4.76	26	28
21	Masland 12/83-H	1.03	31	37	5.20	29	36	.54	14	18	2.34	30	37	2.27	5	10	13.27	31	32	2.42	35	38	6.75	13	20	3.62	30	36
33	Opelika Mfg. 10/83-O	−4.87	42	42	−19.29	42	42	.65	3	10	−6.68	42	42	1.37	41	38	9.19	40	38	−.80	44	37	3.24	42	42	−8.46	42	41
46	Originit 01/83-F	.14	37	38	.74	37	40	.57	8	11	.31	37	39	2.24	7	2	23.59	6	23	.95	41	42	14.33	5	2	.45	37	40
42	Putnam - Gellman 12/83-O	5.13	+	44	24.78	+	44	.57	8	5	10.48	+	44	2.03	12	27	17.23	21	26	6.01	21	26	21.71	2	11	21.43	+	45
10	Riegel Textile 10/83-F	1.90	23	19	5.36	28	21	.45	26	21	2.90	27	21	1.53	33	39	10.50	37	35	2.64	33	27	7.62	11	14	3.89	28	22
17	Salem Mills 01/83-H	1.71	24	33	14.52	7	26	.57	8	6	6.13	16	30	3.56	1	1	19.56	15	15	5.28	25	21	6.17	16	27	10.00	10	29
13	Shaw Industries 06/83-H	3.29	16	31	13.62	10	31	.56	12	7	5.92	19	32	1.79	18	21	17.19	22	30	7.30	12	30	5.50	26	32	8.18	17	32
4	Springs Mills 12/83-D	4.14	9	6	8.84	22	13	.30	44	41	6.15	15	8	1.48	38	33	15.42	27	22	6.24	20	10	7.01	12	19	7.96	19	9
2	J P Stevens 10/83-D	.98	32	25	3.36	32	24	.51	17	15	1.62	33	29	1.65	28	25	11.26	36	34	2.54	34	22	5.53	25	24	2.20	33	30
24	Texfi Ind. 10/83-F	1.33	29	40	15.18	6	45	.82	1	1	2.71	28	41	2.04	11	23	11.69	35	39	4.06	29	43	9.36	8	10	3.93	27	42
25	Thomaston 07/83-F	.42	35	30	1.09	36	32	.34	42	37	.72	35	31	1.70	23	26	7.25	42	41	1.17	40	34	5.18	30	25	.83	36	31
11	Ti-Caro 10/83-Y	4.39	7	5	10.53	19	11	.35	39	39	6.81	11	7	1.55	31	37	16.39	25	18	8.43	7	4	6.09	19	21	9.06	14	8
20	Unifi Inc. 06/83-Y	2.53	++	7	7.34	++	2	.41	30	13	4.28	++	2	1.69	24	5	12.47	34	33	7.20	13	6	21.93	1	1	5.40	++	2
9	Un. Merch. & Mfrs. 06/83-F	−.56	38	+	−1.73	38	+	.57	8	11	−.74	38	+	1.30	44	41	17.83	19	21	4.48	26	41	3.73	40	38	−1.02	38	+
40	Vertipile 02/83-O	.66	34	10	1.68	35	15	.31	43	42	1.16	34	9	1.74	21	11	13.69	30	20	2.39	36	8	5.76	23	12	1.45	34	11
3	WPt. Pepperell 08/83-D	4.33	8	9	12.32	11	12	.40	32	31	7.36	8	10	1.69	24	24	20.39	13	14	8.01	9	11	5.40	27	30	9.86	11	12
39	Westwood Inc. 09/83-O	.92	33	34	3.23	33	34	.37	36	42	2.01	32	33	2.18	8	3	16.66	24	29	3.00	32	33	6.14	18	29	3.21	31	33
36	Wm Wright Co. 06/83-O	5.36	5	3	11.43	15	5	.27	45	36	8.26	5	3	1.53	33	29	42.11	2	1	10.36	4	2	1.95	45	45	11.22	6	3

+ Extraordinary gains exceed 1% of net sales; unranked.
++ Extraordinary losses exceed 1% of net sales; unranked.
Rankings for 1982 have been recalculated to reflect new profile mix.

Top Performers

1983

1979-1983

Return on Total Equity

	Company	Sales ($000)	Return on Total Equity %	1982 Rank
1	Columbus Mills (H)	120,640	22.07	6
2	Horizon Ind. (H)	153,736	20.70	3
3	Interface (H)	80,050	18.91	1
4	Louisville Bed. (H)	60,668	18.55	8
5	Galaxy Mills (H)	200,121	18.06	10
6	Texfi Ind. (F)	152,276	15.18	45
7	Salem Mills (H)	250,756	14.52	26
8	Guilford Mills (F)	254,575	14.35	4
9	Fab Industries (F)	98,943	13.86	7
10	Shaw Industries (H)	301,776	13.62	31
11	WPt. Pepperell (D)	1,206,304	12.32	12
12	Belding-Heminway (O)	113,620	11.94	22

	Company	5-Year Sales ($000)	Return on Total Equity %
1	Guilford Mills (F)	1,194,521	21.86
2	Unifi Inc. (Y)	866,250	18.16
3	Fab Industries (F)	542,649	16.70
4	Galaxy Mills (H)	696,362	15.41
5	Columbus Mills (H)	426,356	14.96
6	Carolina Mills (Y)	577,456	14.19
7	Louisville Bed. (H)	250,324	13.93
8	Vertipile (O)	103,237	13.83
9	Ti-Caro (Y)	1,311,582	13.49
10	Shaw Industries (H)	1,175,624	12.26
11	WPt. Pepperell (D)	5,796,539	11.52
12	Riegel Textile (F)	2,066,413	10.30

Return on Invested Capital

	Company	Sales ($000)	Return on Inv. Capital %	1982 Rank
1	Columbus Mills (H)	120,640	19.40	6
2	Interface (H)	80,050	15.84	1
3	Horizon Ind. (H)	153,736	13.77	7
4	Fab Industries (F)	98,943	13.46	4
5	Guilford Mills (F)	254,575	12.77	5
6	Wm. Wright Co. (O)	58,309	11.22	3
7	Galaxy Mills (H)	200,121	11.19	15
8	Belding-Heminway (O)	113,620	10.10	20
9	Louisville Bed. (H)	60,668	10.05	10
10	Salem Mills (H)	250,756	10.00	29
11	WPt. Pepperell (D)	1,206,304	9.86	12
12	China Grove (Y)	60,808	9.20	19

	Company	5-Year Sales ($000)	Return on Inv. Capital %
1	Guilford Mills (F)	1,194,521	18.13
2	Fab Industries (F)	542,649	16.09
3	Columbus Mills (H)	426,356	12.30
4	Ti-Caro (Y)	1,311,582	11.46
5	Vertipile (O)	103,237	11.39
6	Unifi Inc. (Y)	866,250	10.80
7	Carolina Mills (Y)	577,456	10.49
8	Wm. Wright Co. (O)	254,602	9.05
9	Galaxy Mills (H)	696,362	8.89
10	WPt. Pepperell (D)	5,796,539	8.66
11	Louisville Bed. (H)	250,324	8.18
12	Marion Mfg. (F)	202,518	7.95

Net A.T. Income on Sales

	Company	Sales ($000)	Net A.T. Income on Sales %	1982 Rank
1	Fab Industries (F)	98,943	8.20	2
2	Interface (H)	80,050	7.58	1
3	Columbus Mills (H)	120,640	6.10	8
4	Guilford Mills (F)	254,575	5.97	4
5	Wm. Wright Co. (O)	58,309	5.36	3
6	Belding-Heminway (O)	113,620	4.50	17
7	Ti-Caro (Y)	304,847	4.39	5
8	WPt. Pepperell (D)	1,206,304	4.33	9
9	Springs Mills (D)	894,443	4.14	6
10	Chatham (F)	112,164	4.04	22
11	Galaxy Mills (H)	200,121	3.88	15
12	Horizon Ind. (H)	153,736	3.84	24

	Company	5-Year Sales ($000)	Net A.T. Income on Sales %
1	Guilford Mills (F)	1,194,521	7.38
2	Fab Industries (F)	542,649	7.17
3	Ti-Caro (Y)	1,311,582	5.70
4	Vertipile (O)	103,237	4.61
5	Wm. Wright Co. (O)	254,602	4.47
6	Columbus Mills (H)	426,356	4.41
7	Carolina Mills (Y)	477,456	4.14
8	Cone Mills (F)	3,374,716	3.93
9	Springs Mills (D)	4,308,318	3.84
10	WPt. Pepperell (D)	5,796,539	3.55
11	Riegel Textile (F)	2,066,413	3.43
12	Unifi Inc. (Y)	866,250	3.42

cont'd from p. 2

tile's figures (the company uses Canadian accounting practices that are incompatible with the Profile), the Diversified sector shrinks to six companies this year.

For the first time in many years, Diversified outperformed most of the all-industry ratios — which is an achievement in self-levitation considering that this group of large firms constitutes 56% of the total Profiles volume. It is also a testimonial — this year — to the idea of diversification. Home textile products did well in 1983, and so did those companies with a broad mix that included home furnishings and carpets as well as fabrics.

With a sales gain of only 5.1%, Diversified firms registered gains of 25% in operating earnings and 24% in profits — well ahead of all textiles. Good control over cost of goods sold and SG&A helped. With $400 million in added sales, SG&A rose by only $20 million. There are advantages in size, financial strength, and professional management.

Within the group, *WestPoint Pepperell* turned in the leading performances, and *M. Lowenstein* moved up into the second spot. The latter's per-share earnings increased by almost 50% over 1982.

Home Consumer Products

The brightest sector in the textile picture for 1983 was Home Consumer Products, led by those companies concentrating in carpets. This group of eleven firms registered a sales gain of 22.5% over 1982, and net income almost doubled.

cont'd on p. 8

What the Ratios Mean

Net After-Tax Income on Sales — Net income divided by net sales and reported as a percentage. This figure is frequently labeled Return on Sales, although KSA declines use of this title since extraordinary items are included in net income. Net sales is gross sales less discounts and allowances for returns and bad debts.

Return on Total Equity — Net income divided by total equity, reported as a percentage. The figure is a good measure of performance on behalf of the owners of the firm.

Total Debt to Assets — The sum of current liabilities, deferred liabilities, and long-term debt, divided by the book value of total assets. The quotient indicates the proportion of assets supported by creditor-supplied funds. Values usually range between zero and one. (Values greater than one indicate that a negative shareholders' equity exists.) Values approaching one indicate the possibility of high financial risk exposure.

Return on Total Assets — Net income divided by the book value of total assets, converted to a percentage. This figure is often used as an indicator of the return on the total investment in the firm, regardless of financing, although most analysts correctly suggest that to make this measure more precise, one must add tax-adjusted interest payments to net income before dividing.

Sales to Total Assets — Net sales divided by total assets. This result is frequently called total asset turnover or simple turnover. Again, we are reluctant to use these terms due to the inclusion of intangible items in the total asset base. A high ratio may indicate inadequate planning for growth and/or operating at or above full capacity. A low ratio suggests overinvestment or inefficient use of assets.

Gross Profit — Net sales less cost of goods sold, divided by net sales and multiplied by 100 to make a percentage. The result is a good proxy for manufacturing profit.

Operating Earnings — Net sales less cost of goods sold as well as selling, general and administrative expense; divided by net sales and reported as a percentage. It is a good measure of a company's profitability on its primary, continuing operations.

Inventory Turns — Cost of goods sold divided by the average of the ending inventory for the year and prior year total inventory.

Return on Invested Capital — Net income divided by the sum of total equity and long-term debt. Many consider this figure to be the best single measure of performance for it represents the return to committed capital and is resistant to attempts to windowdress public financial statements.

Average Annual Change in Sales and Income — 1983/1979

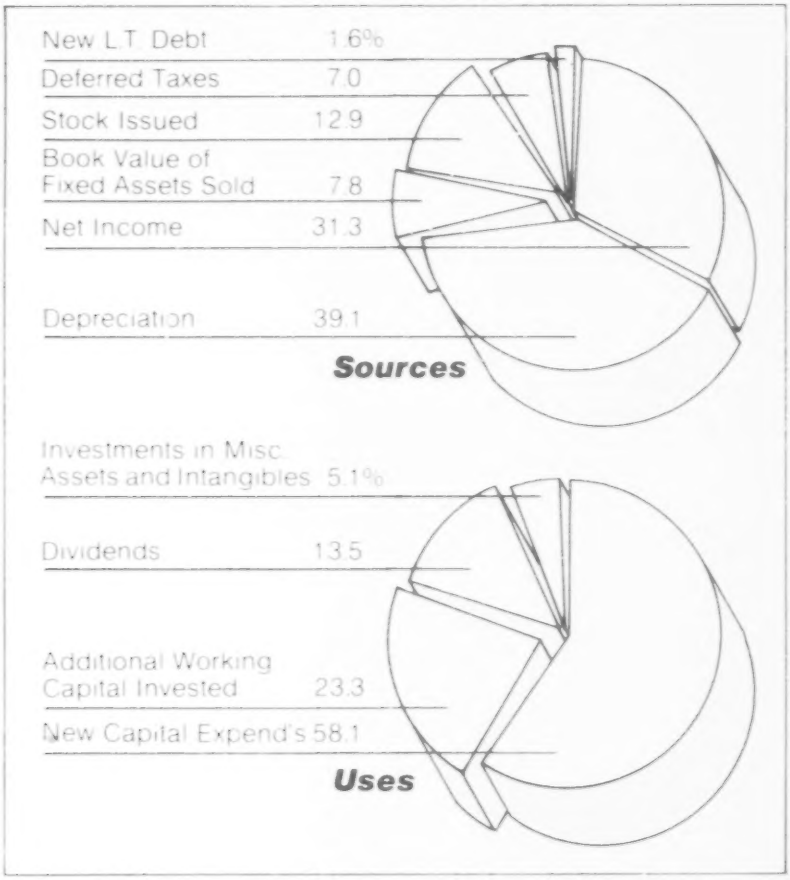
Disclaimer

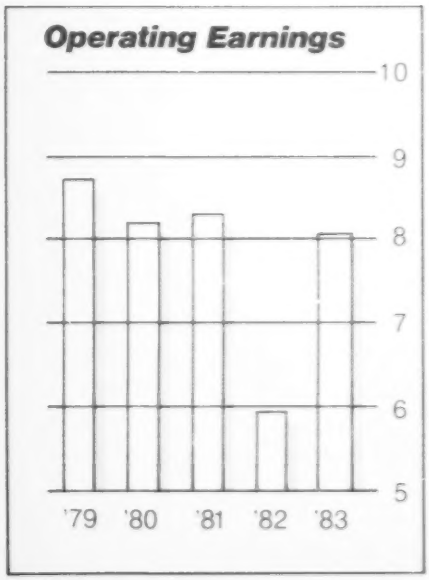
The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission. Information presented herein is based solely on publicly-available data; the confidentiality of KSA's client relationships has been maintained throughout. KSA's Financial Performance Profile is intended solely for the statistical information of the purchaser. It is not a representation, prospectus, or circular in respect of any stock or security of any corporation. The data and comments contained herein do not constitute investment advice in any form.

Sources and Uses of Funds ($1.185 Billion)

Key Points

- Capital expenditures accounted for 58% of the funds used, and increased working capital an additional 23%.
- 78% of funds used came from internal sources (net income 31%, fixed asset disposals 8%, depreciation 39%).
- 22% of funds used came from external sources:
  - 13% from stock sales (but this was less than dividends paid, so on a net basis stockholders provided no funds)
  - 7% from Uncle Sam (deferred taxes due to accelerated depreciation)
  - 2% from new long term debt.





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to 3% of sales. Return on equity rose four points to 11.8%, compared with 7.3% for all textiles. Once plagued by commodity pricing, this sector was able to generate gross profits of 19.8% last year.

Seven out of the top ten textile performers in return on equity come from Home Consumer Products this year. They are led by *Columbus Mills* (22.1% return on equity, 19.4% on invested capital, and 6.1% on sales). *Horizon Industries* and *Interface Flooring Systems* (both new comers to the Profile), *Louisville Bedding*, *Galaxy*, *Salem*, and *Shaw* were also among the leaders. Some of these companies had sales gains of 30–50%.

The outstanding performance of public carpet companies reflects the recovery in consumer spending and the housing pick-up of 1983. It also shows the results of tighter controls and cost-cutting during three lean years, a fiber-triggered price increase, and the impact of more specialization and sharper marketing.

Carpets is not without problems, however. Competition is expected to toughen, tariffs are being reduced, and foreign carpet mills are eyeing the U.S. market as well as penetrating some of the developing overseas markets that were export targets for U.S. producers. Floor coverings is becoming a global industry.

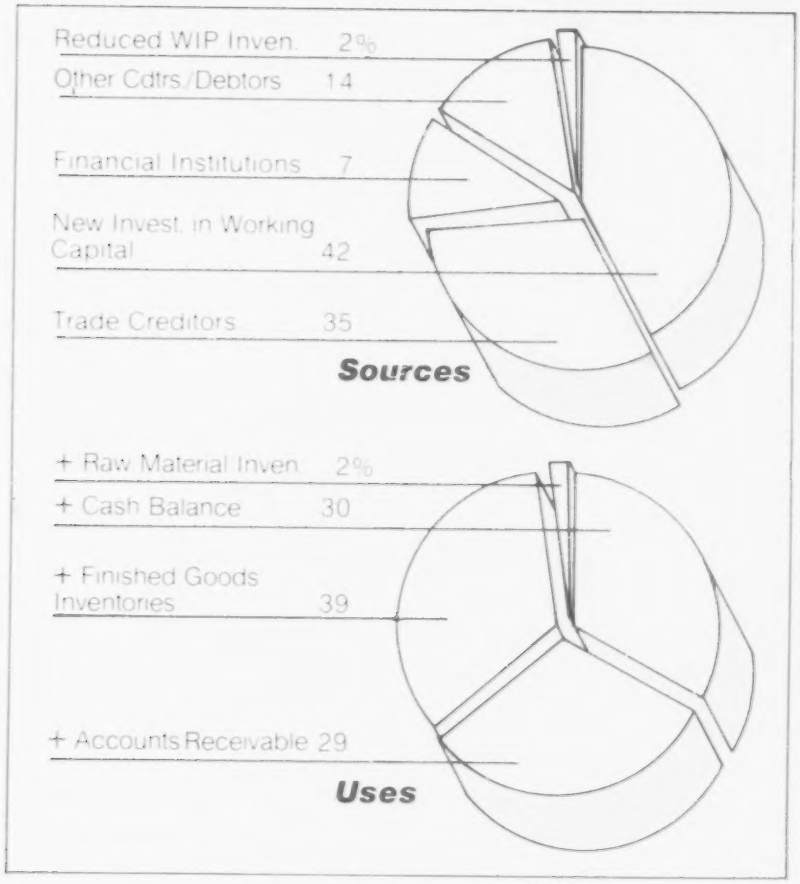
Other

Sales were up only 2% for the nine firms in this group (converters and printers, non-wovens, and miscellaneous textile producers), but profits rose 169%, or $5.4 million. Nevertheless, this highly-volatile sector failed to better any of the all-industry ratios except for gross profit, which came in at 27.1% for 1983.

How Textiles Spends Its Money

The public textile firms spent less on capital investments in 1983 by all measures.

Change in Working Capital Position (+ $655 Million)



Key Points

- New working capital investments and trade creditors provided 77% of the additional working capital required.
- Work in process inventories were reduced by $15 million. WIP has declined every year since 1979 from 6.1% of total assets to 2.0% of total assets reflecting improved throughput time and controls.
- Finished goods inventories increased 16.4% against a sales gain of 6.8%. Finished goods at year end were 12.1% of annual sales, the highest level in 5 years – need caution in rebuilding these inventories!
- Cash balances increased 90% – the public companies now have $417 million in cash, the highest level in 5 years.

$689 million instead of $725 million in 1982. 149% of depreciation versus 162%, 4.6% of sales compared with 5.2% the previous year.

The heavy reliance on internally-generated funds to support the industry's investment in equipment and working capital is clearly shown in the exhibit on page 8. While textiles did raise some equity capital, it was less than the dividends paid to stockholders. Deferred taxes provided 7% of new funds through accelerated depreciation; long-term debt provided only 2% of new funds.

Last year we compared the returns on invested capital of nine major textile firms with their capital expenditures, and found that spending on new plant and equipment did not necessarily guarantee better financial results. The types of investments made, their timing, and the company's market position have more to say about the success of a spending program than the number of dollars invested.

This year offers no exception. There was general improvement in the locations of the individual companies studied (see chart on page 10), but the analysis leads to the same basic conclusions. With the exception of *Lowenstein*, the biggest spenders were below the average change (−1.4%) in return on invested capital between 1980 and 1983.

Buy-Outs and Shrinkage

An improving cash position (almost double that of 1982), helps create the same problem for textiles as for apparel: undervalued stocks of companies with strong cash flows and potential borrowing power are attractive to unwanted suitors. Thus, the acceleration of leveraged buy-outs as a defensive maneuver.

Few textile firms are able to raise money through the equity market; it costs money and time to remain a public company; leveraged buy-outs provide management with an opportunity to gain substantial equity positions at low cost. Consequently, the public textile industry is shrinking.

This year, our Textile Profile contains 46 companies that derive half or more of their sales from textiles — two fewer than last year. However, three firms from the 1982 Profile *(Albany, Dan River,* and *Liberty Fabrics)* actually went private, and *Dominion Textile's* data are no longer included. *Horizon* and *Interface* joined the Profile for the first time. Next year's report probably will not contain data on *Cone, Ti-Caro, Riegel Textiles,* and others.

The roles played by textile companies are also likely to change over the next few years. An examination of the long-term trends (past five years) in this Profile will indicate a generally mediocre, static performance by the industry. Those firms with a traditional dependence upon serving the domestic apparel industry with piece goods appear to be in the most trouble.

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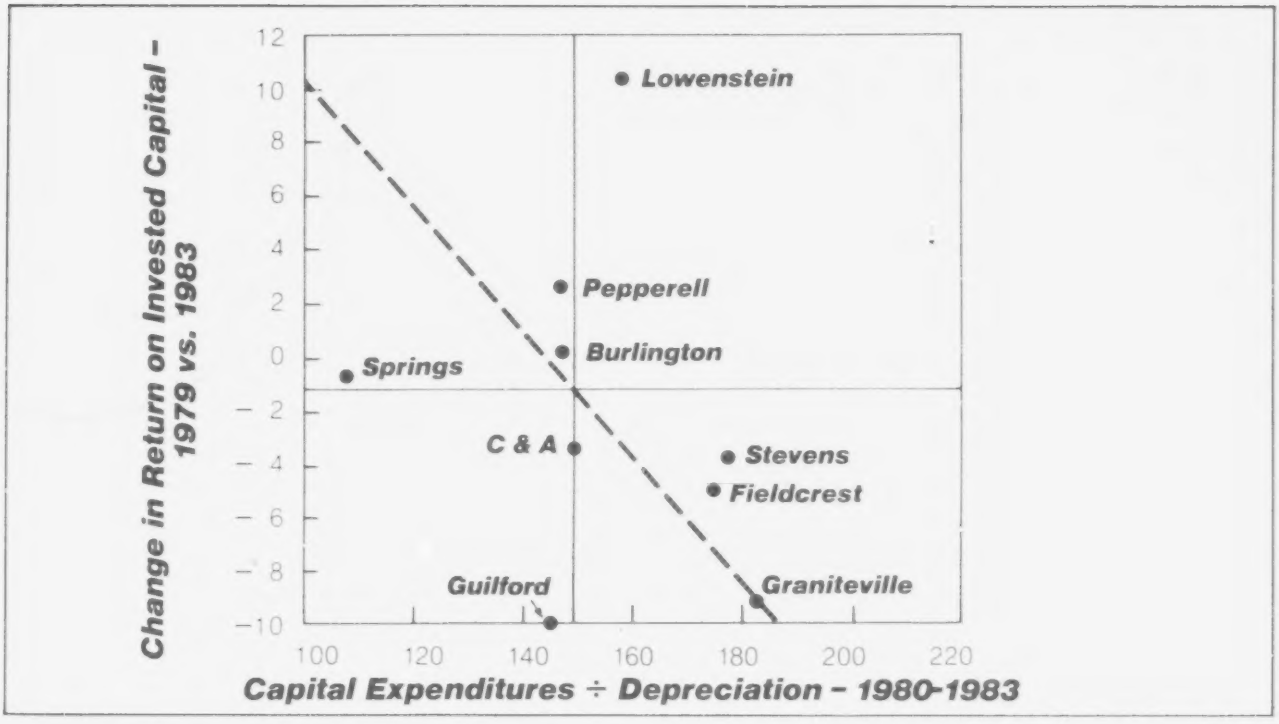

Ups and Downs...

With corduroy in the doldrums *Crompton* suffered a 29% sales drop and a 13% operating loss. There was less bleeding at the bottom line, however, because 1982 included a $17 million write-off. Despite a 23% decline in volume from 1982's peak, *Unifi* managed to retain the same after-tax profit ratio in 1983. A $3.8 million extraordinary item halved its bottom line and reduced ROE by 75% — but it was still above the industry composite.

Collins & Aikman's results for FYE 3/84 are shown along with fiscal '83 (pg. 4), but were not ranked. If they had been, C & A would have been third in return on equity (20%) and return on invested capital (15%), and sixth in profits (5.2%). *Guilford* has recovered from its sales and profit drops of 1982, and remains the No. 1 performer over five years and among the top 12 in 1983. But its figures are not as heady as they were in 1979-80, when it returned 32% on equity and 25% on invested funds.

Avondale had one of the better turnarounds of '82: $20 million from red to black in pre-tax profit on a $48 million sales gain. All return ratios 3-4 times higher than best previous figures in last five years. Although sales have gained steadily, *Tri-Caro's* returns have slipped since 1979, from 6.5% to 4.4% of sales. Return on equity last year was 10.5%, two-thirds what it was in 1979.

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Recognizing this, some have already embarked upon programs to integrate forward — setting up their own apparel manufacturing operations in the Caribbean to insure outlets for their capacity, and to demonstrate the feasibility of 807 operations in this hemisphere. Others will probably follow. Still others are trying to develop new marketing positions and product specializations.

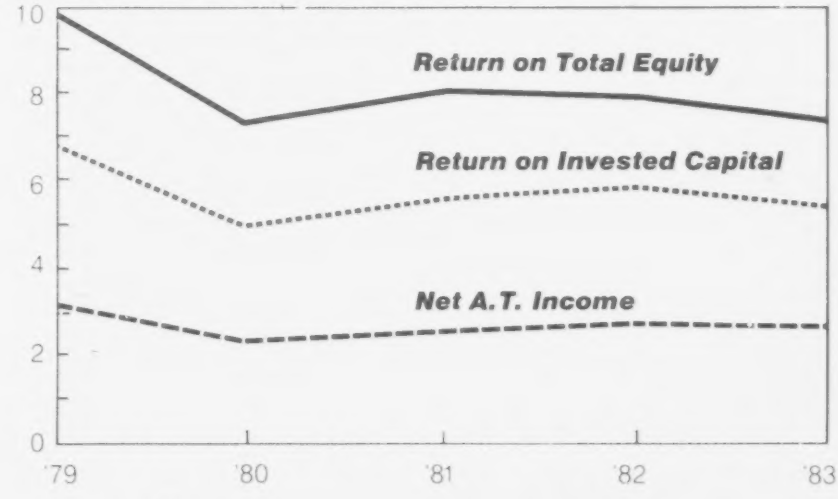
At this juncture, textiles lies between two thriving industries — fibers and apparel. The former enjoyed a handsome recovery in 1983, and the latter set records in all areas of financial performance. Both should continue doing well. If textiles remains in its traditional mode, and continues to suffer from import competition, overcapacity, high investment requirements, low returns, and an inability to market more flexibly, the industry's outlook is hardly sanguine.

However, the changes noted above offer some hope. Private ownership suggests that there will be less addition to capacity in the years ahead, and more promising long-term returns on investment for the textile firms that remain public.

They will grow larger and more diversified, developing the potential for more specialized and flexible marketing.

If those potentials are recognized and realized, there will be a different look to textiles in the years ahead. □

Textile Industry Composite Performance



Composite Profit and Loss Data – Textile Industry

PROFIT AND LOSS DATA - TEXTILE IND

FISCAL PERIOD ENDING	1983		1982		1981		1980		1979	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
NET SALES	14877705	100.00	13931616	100.00	15081827	100.00	14229583	100.00	13436984	100.00
COST OF GOODS SOLD	12567024	84.47	11862610	85.15	12819636	85.00	12064740	84.79	11292722	84.04
GROSS PROFIT	2310681	15.53	2069006	14.85	2262191	15.00	2164843	15.21	2144262	15.96
- SELL. GEN. & ADMIN	1508008	10.14	1473815	10.58	1436796	9.53	1350535	9.49	1271449	9.46
OPERATING EARNINGS	802673	5.40	595191	4.27	825395	5.47	814308	5.72	872813	6.50
- INTEREST EXPENSE	181267	1.22	210474	1.51	233432	1.55	211598	1.49	205881	1.53
MISC. INC. OR EXP	-13212	-0.09	-8915	-0.06	-37699	-0.25	-28997	-0.20	28939	0.22
INCOME BEFORE TAX	608194	4.09	375802	2.70	554264	3.68	573713	4.03	695871	5.18
- INCOME TAX	237783	1.60	140401	1.01	203566	1.35	259991	1.83	295989	2.20
INCOME AFTER TAX	370411	2.49	235401	1.69	350698	2.33	313722	2.20	399882	2.98
EXTRAORDINARY ITEM	983	0.01	139538	1.00	12635	0.08	760	0.01	13501	0.10
NET INCOME	371394	2.50	374939	2.69	363333	2.41	314482	2.21	413383	3.08

EARNINGS PER SHARE

FLOW OF FUNDS ANALYSIS

WORKING CAP AT START	3227731	3385541	3322431	3162463
NET INCOME	371394	374939	363333	314482
DEPRECIATION	463204	446151	402702	434586
CHANGE IN L-T DEBT	18771	-213718	-4414	79614
CHANGE IN DEFERRED	86929	50705	98373	34330
CHANGE IN PREF STK	-2393	-199	12326	1038
CHANGE IN COMMON	231318	-42895	43305	44577
DIVIDENDS PAID	-160140	-144291	-166272	-145795
CAPITAL EXPEND.	-688945	-725027	-635144	-648920
MISC ASSETS CHANGE	-59838	4646	-23278	-26635
MISC TRANSACTIONS	15406	91879	-3169	72691
WORKING CAP AT END	3503437	3227731	3385541	3322431

BALANCE SHEET DATA - COLUMBUS MILLS

BALANCE SHEET AS OF	DEC 1983		DEC 1982		DEC 1981		DEC 1980		DEC 1979	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
ASSETS										
CASH AND EQUIV	1252	2.20	1349	3.06	1347	3.24	3077	8.39	892	2.86
ACCTS REC GROSS	14903	26.21	10460	23.75	8840	21.24	9839	26.84	7963	25.52
- DOUBTFUL ACCTS	75	0.13	75	0.17	75	0.18	75	0.20	75	0.24
ACCTS RECV NET	14828	26.07	10385	23.58	8765	21.06	9764	26.64	7888	25.28
INVENTORY - FIN GDS	6974	12.26	4963	11.27	3809	9.15	5510	15.03	6093	19.53
INVENTORY - W I P	3402	5.98	1688	3.83	1589	3.82	1380	3.76	1849	5.93
INVENTORY - RAW MTL	10059	17.69	4984	11.32	4575	10.99	4240	11.57	3488	11.18
TOTAL INVENTORIES	20435	35.93	11635	26.42	9973	23.96	11130	30.36	11430	36.63
OTHER CURRENT ASSETS	63	0.11	3722	8.45	6041	14.51	200	0.55	80	0.26
CURRENT ASSETS	36578	64.32	27091	61.52	26126	62.77	24171	65.94	20290	65.02
FIXED ASSETS-COST	23726	41.72	22734	51.63	22958	55.16	19315	52.69	17894	57.34
- ACCUM. DEPREC	9167	16.12	8833	20.06	9033	21.70	7625	20.80	7739	24.80
FIXED ASSETS NET	14559	25.60	13901	31.57	13925	33.46	11690	31.89	10155	32.54
MISC. ASSETS NET	5733	10.08	3042	6.91	1569	3.77	794	2.17	760	2.44
INTANGIBLE ASSETS										
TOTAL ASSETS	56870	100.00	44034	100.00	41620	100.00	36655	100.00	31205	100.00
LIABILITIES										
ACCTS PAYABLE	13786	24.24	7989	18.14	7868	18.90	6653	18.15	4140	13.27
NOTES PAYABLE										
INCOME TAX PAYABLE	1384	2.43	622	1.41	121	0.29	1367	3.73	411	1.32
L T DEBT CURRENT	1058	1.86	1240	2.82	1193	2.87	1065	2.91	759	2.43
CURRENT LIABILITIES	16228	28.54	9851	22.37	9182	22.06	9085	24.79	5310	17.02
L T DEBT FUTURE YRS	4585	8.06	5649	12.83	6899	16.58	4840	13.20	5304	17.00
OTHER LIABILITIES	2683	4.72	1770	4.02	1335	3.21	928	2.53	882	2.83
TOTAL LIABILITIES	23496	41.32	17270	39.22	17416	41.85	14853	40.52	11496	36.84

Shown above is part of an actual Profit and Loss page from the complete print-out.

The Complete Profile

This issue of *The KSA Perspective for Textile Management* contains excerpts from the complete industry Profile, a print-out of approximately 400 pages produced by a computer program developed by KSA.

The full print out covering five fiscal years ending in 1979 through 1983 is available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the report contains:

1. Balance sheets in both dollars and percentages.
2. Income statements in both dollars and percentages.
3. Statements of changes in working capital.
4. Five-year average performances in five pertinent ratios.
5. Year-to-year percent change analysis of nine ratios.
6. A comprehensive list of ratios including:
   - Current Ratio
   - Acid Ratio
   - Receivables Turns per Year
   - Inventory Turns per Year
   - Sales/Inventory
   - Return on Sales
   - Return on Invested Capital
   - Return on Total Equity
   - Return on Common Stock
   - Return on Total Assets
   - Operating Return
   - Cash Flow/Sales
   - Sales/Total Assets
   - Sales/Net Worth
   - Sales/Working Capital
   - Fixed Assets/Net Worth
   - Long-Term Debt/Invested Capital
   - Long-Term Debt/Net Worth
   - Long-Term Debt/Common Equity
   - Total Debt/Total Assets
   - ...erest Coverage
   - Total Coverage

In addition, composite data for the industry segment groupings are presented in the same manner as the individual company compilations: as sums of all company performances in each group.

The textile printout is available from KSA at a cost of $300.

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